

## U.S.-Canada Wheat Trade ... Commodity Supplies ... CRP Acreage ... State Grain Trading in China ... Economic Crisis in Russia

### Reprise of Large Supplies For U.S. Agriculture

**Large supplies of major U.S. field crops** are expected to persist in 1999/2000, with season-average farm prices stabilizing or declining. Wheat is the exception, with production expected to decline and average price to rise moderately.

**Red meat and poultry production** in 2000 is forecast about the same as the 1999 expected record. Increased poultry production, bolstered by continued profitability and low corn and soybean meal prices, will offset modest declines in beef and pork output. Broiler prices in 2000 will continue to decline from the record reached in 1998, while cattle and hog prices will continue to recover somewhat from 1998's extreme lows.

### U.S.-Canada Wheat Trade: Geography & Economics Intersect

**A dramatic increase in U.S. imports** of Canadian wheat resulted from a series of events in the early 1990's. Trade liberalization agreements expanded the potential for trade with Canada, while U.S. export subsidies and elimination of internal Canadian transport subsidies for exported grain increased the incentive for Canada to export to the U.S. rather than to other markets. At the same time, bad weather generated unusually large trade in feed wheat. Nevertheless, geography and market economics are the fundamental determinants of current U.S.-Canada wheat trade; most Canadian wheat production is far enough north and west from most centers of U.S. production and use to limit any economic advantages of U.S. imports from Canada under normal circumstances. The early 1990's runup in imports appears to have been an isolated occurrence that has run its course.

### Russia's Economic Crisis: Effects on Agriculture

**The economic crisis in Russia** that began in August 1998—triggered by devaluation of the ruble and government default on



domestic debt—has reduced demand for food and lowered food consumption. Substantial depreciation of the ruble has significantly raised domestic prices for foodstuffs and lowered consumer wealth and income. Russian imports of agricultural and food products have dropped by about three-fourths, causing U.S. agricultural exports to Russia—2 percent of total U.S. agricultural exports before the crisis—to plunge by around 80 percent. Agricultural production in Russia should be stimulated, since depreciation of the ruble against foreign currencies improves the price competitiveness of domestic output.

### Imports Rise in Middle East & North Africa

**The Middle East and North Africa** region is a major global market for agricultural and food products, including wheat, barley, oil meals, and vegetable oils. The combination of increasing demand for food—caused by rapidly growing populations, rising real incomes, and diets changing with urbanization—and decreasing resources for agriculture—seen in declining farm populations and farmland, and in increasing competition for water—has overwhelmed the region's capacity to meet its consumption needs. The U.S. is a

major supplier of agricultural commodities to the region, with shipments averaging \$4.1 billion per year during 1996-98, a 29-percent increase over 1990-92. The April 1999 lifting of U.S. trade sanctions on food could add to increased U.S. exports to the region in the long term.

### Conservation Reserve Program Approaches Acreage Limits

**USDA's Conservation Reserve Program** (CRP), after accepting 5 million acres in its 18<sup>th</sup> signup in March 1999, stands just 5 million acres shy of its statutory limit of 36.4 million acres, with relatively little acreage due to expire in the next 3 years. In order to provide for joint Federal-state conservation reserve initiatives, and to reserve 4 million acres for the Administration's Clean Water Action Plan, future signups will be unable to enroll such large acreages. Should legislation raise the statutory cap on enrollment, analysis shows that new enrollment would likely have less erosion-reduction benefits compared with other factors in the CRP Environmental Benefits Index scoring system, while total erosion benefits would still increase. Assuming all potential bidders would indeed bid, no radical shifts in the geographic distribution of acreage would be expected.

### State Trading & Management of Grain Marketing in China

**The role of state trading enterprises** in the People's Republic of China is a key agricultural issue as China seeks membership in the World Trade Organization. Despite more than 15 years of economic reform, the government's state trading enterprises continue to provide China with enormous power to manage the level and direction of trade flows of several major agricultural commodities, including wheat, rice, and corn. Examining the entire chain of governmental organizations engaged in domestic and international grain marketing is necessary to understand the role of state trading in China because policies and institutions are intertwined.